

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 455** HLS 13RS 709
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 22, 2013 5:32 PM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: New Markets Tax Credit Program	

TAX CREDITS OR -\$50,000,000 GF RV See Note Page 1 of 1
 Establishes the Louisiana New Markets Jobs tax credit

Current law variations of this program have provided state income and franchise tax credits for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are percentages of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are nonrefundable but are transferable. The program was materially modified in 2007, and subsequent versions have specified the total amount of capital allowed to participate and the total amount of tax credit that can be generated. In the last two versions of the program, a total of \$100 million of tax credits have been issued.

Proposed law provides \$50 million of transferable premium tax credit (40% of \$125 million of capital allowed into the program). Capital/credit allocations are made in two units of \$62.5 million of capital, generating two units of tax credit, \$25 million each. Capital allocations are made on 9/1/2013 and 9/1/2014. Associated tax credits can be claimed evenly over four years, beginning two years after the capital allocations. The first credit realizations can occur in FY16 and last through FY20.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$6,250,000)	(\$12,500,000)	(\$12,500,000)	(\$31,250,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	(\$6,250,000)	(\$12,500,000)	(\$12,500,000)	(\$31,250,000)

EXPENDITURE EXPLANATION

In the past the Department of Revenue has devoted a full-time position to administer this program. It seems unlikely that the changes made by this bill would require additional resources. However, with this bill there will effectively be four programs being administered simultaneously, with four different sets of program parameters, at least with respect to the program's tax credits.

REVENUE EXPLANATION

The bill structures the issuance of \$50 million of tax credit in two allocations: \$25 million on September 1, 2013, and \$25 million on September 1, 2014, and provides that each of these two issuances can first be claimed against tax liabilities two years after the credit issuance. Thus, premium tax liabilities for 2015, filed in FY16, are first affected. The amount of tax credit that can be taken each year is also structured to be 1/4 of the issuance. Thus, FY16 is exposed to \$6.25 million of revenue loss (first 1/4 of first \$25 million of credit issued). Then FY17 is exposed to \$12.5 million of revenue loss (second 1/4 of first \$25 million plus first 1/4 of second \$25 million). Both FY18 and FY19 lose \$12.5 million and, finally, FY20 loses the last \$6.25 million. Total state revenue losses are the \$50 million of tax credit issued, spread over five years, with a two-year delay at the outset of the program.

Total tax credits granted under the New Markets Tax Credit program have been nearly \$130 million. Under the pre-2007 program parameters, \$29.7 million of credits have been granted over a 9 year period. In two supplements to the program since then, two additional \$50 million allocations of tax credits were oversubscribed. It seems likely that the additional \$50 million of tax credits made available by this bill will be fully subscribed, as well. From FY08 to FY13 (through February 2013) new market tax credits taken have totaled \$115.580 million.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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